

**CITY OF SISSETON, SOUTH DAKOTA**

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
WITH SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2022**

# CITY OF SISSETON

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Commission  
City of Sisseton, South Dakota

### Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sisseton, South Dakota (hereinafter referred to as the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Sisseton Housing and Redevelopment Commission of the City of Sisseton, South Dakota, which represents all of the assets, net position, and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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## **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Required Supplementary Information**

The City has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule, the schedule of the City's proportionate share of net pension liability/(asset), and the schedule of City's contributions as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control of financial reporting and compliance.

*Uhlenberg Ritzman + Co., LLC*

Yankton, South Dakota  
January 9, 2024

**CITY OF SISSETON**

STATEMENT OF NET POSITION  
DECEMBER 31, 2022

	<b>Primary Government</b>			
	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>	<b>Component Unit</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,843,182	\$ 3,506,966	\$ 5,350,148	\$ 765,744
Certificates of deposit	522,151	-	522,151	-
Investments	5,142,583	5,600,000	10,742,583	-
Receivables, net	109,668	188,562	298,230	4,528
Due from other governments	224,626	-	224,626	-
Inventories	6,031	196,564	202,595	-
Prepaid expenses	43,244	18,220	61,464	5,223
Deposits	-	-	-	18,574
Notes receivable	190,000	-	190,000	-
Leases receivable	89,605	197,674	287,279	-
Net pension asset	2,804	1,084	3,888	714
Capital assets:				
Capital assets not being depreciated	380,304	1,411,830	1,792,134	349,831
Capital assets being depreciated, net	6,473,497	3,382,105	9,855,602	591,864
Leased assets being amortized, net	9,604	-	9,604	-
Total capital assets	<u>6,863,405</u>	<u>4,793,935</u>	<u>11,657,340</u>	<u>941,695</u>
Total assets	<u>15,037,299</u>	<u>14,503,005</u>	<u>29,540,304</u>	<u>1,736,478</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related	<u>256,084</u>	<u>99,094</u>	<u>355,178</u>	<u>66,098</u>
<b>LIABILITIES</b>				
Accounts payable	79,161	110,736	189,897	36,721
Accrued expenses	28,828	16,028	44,856	11,936
Customer deposits	-	-	-	16,602
Unearned revenue	-	1,922	1,922	6,241
Long-term liabilities:				
Portion due or payable within one year:				
Compensated absences	43,768	30,556	74,324	6,228
Leases payable	1,828	-	1,828	-
Portion due or payable after one year:				
Compensated absences	29,179	20,371	49,550	8,316
Leases payable	<u>7,776</u>	<u>-</u>	<u>7,776</u>	<u>-</u>
Total liabilities	<u>190,540</u>	<u>179,613</u>	<u>370,153</u>	<u>86,044</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension related	163,422	63,238	226,660	53,483
Lease related	<u>89,605</u>	<u>197,674</u>	<u>287,279</u>	<u>-</u>
Total deferred inflows of resources	<u>253,027</u>	<u>260,912</u>	<u>513,939</u>	<u>53,483</u>
<b>NET POSITION</b>				
Net investment in capital assets	6,853,801	4,793,935	11,647,736	941,695
Restricted for:				
Economic development	289,425	-	289,425	-
SDRS pension related accounts	95,466	36,940	132,406	5,120
Unrestricted	<u>7,611,124</u>	<u>9,330,699</u>	<u>16,941,823</u>	<u>716,234</u>
Total net position	<u>\$ 14,849,816</u>	<u>\$ 14,161,574</u>	<u>\$ 29,011,390</u>	<u>\$ 1,663,049</u>

The accompanying notes are an  
integral part of these financial statements

**CITY OF SISSETON**

STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 264,745	\$ 18,457	\$ 431,247	\$ -	\$ 184,959		\$ 184,959	
Public safety	668,820	37,180	9,246	-	(622,394)		(622,394)	
Public works	928,239	28,005	109,506	121,648	(669,080)		(669,080)	
Health and welfare	16,509	-	3,905	-	(12,604)		(12,604)	
Culture and recreation	274,561	15,449	-	-	(259,112)		(259,112)	
Conservation and development	103,010	-	-	-	(103,010)		(103,010)	
Total governmental activities	<u>2,255,884</u>	<u>99,091</u>	<u>553,904</u>	<u>121,648</u>	<u>(1,481,241)</u>		<u>(1,481,241)</u>	
Business-type activities:								
Liquor	1,159,921	1,342,442	-	-	-	\$ 182,521	182,521	
Water	394,476	499,621	2,421	-	-	107,566	107,566	
Waste water	275,918	443,836	-	-	-	167,918	167,918	
Solid waste	316,142	335,261	-	-	-	19,119	19,119	
Total business-type activities	<u>2,146,457</u>	<u>2,621,160</u>	<u>2,421</u>	<u>-</u>	<u>-</u>	<u>477,124</u>	<u>477,124</u>	
Total primary government	<u>\$ 4,402,341</u>	<u>\$ 2,720,251</u>	<u>\$ 556,325</u>	<u>\$ 121,648</u>	<u>(1,481,241)</u>	<u>477,124</u>	<u>(1,004,117)</u>	
<b>Component Unit:</b>								
Sisseton Housing and Redevelopment	<u>\$ 652,472</u>	<u>\$ 422,861</u>	<u>\$ 165,775</u>	<u>\$ 195,201</u>				<u>\$ 131,365</u>
General revenues:								
Taxes:								
Property taxes					776,716	-	776,716	-
Sales taxes					1,429,583	-	1,429,583	-
State and county shared revenues					59,168	-	59,168	-
Contributions not restricted to specific programs					28,565	-	28,565	-
Unrestricted investment earnings					82,073	62,325	144,398	5,330
Miscellaneous					88,760	33,903	122,663	-
Transfers					(2,420,000)	2,420,000	-	-
Total general revenues and transfers					<u>44,865</u>	<u>2,516,228</u>	<u>2,561,093</u>	<u>5,330</u>
Change in net position					<u>(1,436,376)</u>	<u>2,993,352</u>	<u>1,556,976</u>	<u>136,695</u>
Net position - beginning					<u>16,286,192</u>	<u>11,168,222</u>	<u>27,454,414</u>	<u>1,526,354</u>
Net position - ending					<u>\$ 14,849,816</u>	<u>\$ 14,161,574</u>	<u>\$ 29,011,390</u>	<u>\$ 1,663,049</u>

The accompanying notes are an  
integral part of these financial statements



**CITY OF SISSETON**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2022

	<u>Major</u>	<u>Non-Major</u>	<u>Total</u>
	<u>General</u>	<u>Entertainment</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Tax Fund</u>	<u>Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,557,116	\$ 286,066	\$ 1,843,182
Certificates of deposit	522,151	-	522,151
Investments	5,142,583	-	5,142,583
Receivables, (net of allowances for uncollectibles, if any);			
Property taxes - delinquent	104,272	-	104,272
Accounts	5,131	-	5,131
Interest	258	7	265
Due from other governments	216,242	8,384	224,626
Inventory	6,031	-	6,031
Prepaid expenses	43,244	-	43,244
Notes receivable	190,000	-	190,000
Leases receivable	<u>89,605</u>	<u>-</u>	<u>89,605</u>
 Total assets	 <u>\$ 7,876,633</u>	 <u>\$ 294,457</u>	 <u>\$ 8,171,090</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 74,129	\$ 5,032	\$ 79,161
Accrued expenses	28,828	-	28,828
Unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>102,957</u>	<u>5,032</u>	<u>107,989</u>
 Deferred inflows of resources:			
Unavailable revenue - property taxes	104,272	-	104,272
Lease related	<u>89,605</u>	<u>-</u>	<u>89,605</u>
Total inflows of resources	<u>193,877</u>	<u>-</u>	<u>193,877</u>
 Fund balance:			
Nonspendable:			
Inventory	6,031	-	6,031
Prepaid expenses	43,244	-	43,244
Restricted:			
Economic development	-	289,425	289,425
Assigned:			
Subsequent year's budget	124,175	-	124,175
Capital outlay	147,100	-	147,100
Unassigned	<u>7,259,249</u>	<u>-</u>	<u>7,259,249</u>
 Total fund balances	 <u>7,579,799</u>	 <u>289,425</u>	 <u>7,869,224</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 7,876,633</u>	 <u>\$ 294,457</u>	 <u>\$ 8,171,090</u>

The accompanying notes are an  
integral part of these financial statements

**CITY OF SISSETON**

RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2022

Total fund balances for governmental funds	\$ 7,869,224
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Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$ 310,631	
Construction in progress	69,673	
Building and improvements, net of \$822,436 accumulated depreciation	1,086,616	
Equipment, net of \$2,129,666 accumulated depreciation	506,997	
Infrastructure, net of \$3,723,339 accumulated depreciation	4,879,884	
Leased assets, net of \$2,078 accumulated amortization	<u>9,604</u>	
Total capital assets		6,863,405

Assets such as taxes receivable and special assessment receivables are not available to pay for current period expenditures and therefore are deferred in the funds.	104,272
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Net pension liability (asset) reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	2,804
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Pension related deferred outflows are components of the net pension liability (asset) and therefore are not reported in the funds.	256,084
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Long-term liabilities, including bonds payable and accrued leave payable are not due and payable in current period and therefore are not reported in the funds.  
Balances at year-end are:

Compensated absences	72,947	
Leases payable	<u>9,604</u>	(82,551)

Pension related deferred inflows are components of the net pension liability (asset) and therefore are not reported in the funds.	<u>(163,422)</u>
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Total net position of governmental activities	<u>\$ 14,849,816</u>
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The accompanying notes are an  
integral part of these financial statements

**CITY OF SISSETON**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2022

	Major General Fund	Non-Major Entertainment Tax Fund	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 2,102,963	\$ 95,567	\$ 2,198,530
Licenses and permits	18,457	-	18,457
Intergovernmental revenue	734,508	-	734,508
Charges for goods and services	80,193	-	80,193
Fines and fees	441	-	441
Miscellaneous revenue	169,450	2,285	171,735
Total revenues	<u>3,106,012</u>	<u>97,852</u>	<u>3,203,864</u>
<b>EXPENDITURES</b>			
General government	239,068	-	239,068
Public safety	604,545	-	604,545
Public works	470,641	-	470,641
Health and welfare	16,509	-	16,509
Culture and recreation	247,770	-	247,770
Conservation and development	51,600	51,410	103,010
Capital outlay	515,443	-	515,443
Debt service			
Principal	1,752	-	1,752
Interest	450	-	450
Total expenditures	<u>2,147,778</u>	<u>51,410</u>	<u>2,199,188</u>
Excess of revenues over expenditures	<u>958,234</u>	<u>46,442</u>	<u>1,004,676</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers In	80,000	-	80,000
Sale of capital assets	4,836	-	4,836
Compensation for loss	23,039	-	23,039
Transfers Out	(2,500,000)	-	(2,500,000)
Total other financing sources	<u>(2,392,125)</u>	<u>-</u>	<u>(2,392,125)</u>
Net change in fund balances	(1,433,891)	46,442	(1,387,449)
<b>CHANGE IN NONSPENDABLE</b>	(5,433)	-	(5,433)
Fund balances - beginning	<u>9,019,123</u>	<u>242,983</u>	<u>9,262,106</u>
Fund balances - ending	<u>\$ 7,579,799</u>	<u>\$ 289,425</u>	<u>\$ 7,869,224</u>

The accompanying notes are an  
integral part of these financial statements

**CITY OF SISSETON**

RECONCILIATION OF STATEMENT OF THE REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2022

Net change in fund balances - total governmental funds	\$ (1,387,449)
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The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation/amortization expense (\$590,259) exceeded capital outlay (\$515,443) in the current period.	(74,816)
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Governmental funds recognize property taxes as revenue in the fiscal period for which they were levied provided they are collected within 45 days, but the statement of activities includes the property taxes as revenue in the period for which the taxes are levied.	7,769
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Individual governmental funds recognize inventory using the purchase method. In the the government wide financial statements, however, inventory is presented using the consumption method. This adjustment recognizes the change in inventory in the individual governmental funds.	(5,433)
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Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. The adjustment combines the net changes of these balances:

Compensated absences	\$ 7,580	
Leases payable	1,752	9,332

Changes in the net pension liability (asset) and the pension related deferred inflows and outflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	14,221
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Change in net position of governmental activities	\$ (1,436,376)
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The accompanying notes are an  
integral part of these financial statements

**CITY OF SISSETON**

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2022

	Enterprise Funds				
	Liquor	Water	Waste Water	Solid Waste	Total
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 363,945	\$ 1,237,095	\$ 1,454,435	\$ 451,491	\$ 3,506,966
Investments	700,000	3,500,000	1,400,000	-	5,600,000
Receivables, (net of allowances for uncollectibles, if any):					
Accounts	4,684	76,446	59,890	47,346	188,366
Interest	42	70	74	10	196
Inventories:					
Supplies	-	28,484	1,437	-	29,921
Resale	166,643	-	-	-	166,643
Prepaid expenses	7,832	5,964	1,653	2,771	18,220
Leases receivable	-	124,635	73,039	-	197,674
Total current assets	<u>1,243,146</u>	<u>4,972,694</u>	<u>2,990,528</u>	<u>501,618</u>	<u>9,707,986</u>
Noncurrent assets:					
Net pension (asset)	299	206	206	373	1,084
Capital assets:					
Land	6,843	48,284	209,983	-	265,110
Construction in progress	-	1,146,720	-	-	1,146,720
Buildings and improvements	138,072	2,276,494	3,819,992	203,745	6,438,303
Machinery and equipment	15,199	3,457,091	1,610,147	418,573	5,501,010
Less accumulated depreciation	<u>(71,552)</u>	<u>(3,920,613)</u>	<u>(3,999,352)</u>	<u>(565,691)</u>	<u>(8,557,208)</u>
Total noncurrent assets	<u>88,861</u>	<u>3,008,182</u>	<u>1,640,976</u>	<u>57,000</u>	<u>4,795,019</u>
Total assets	<u>1,332,007</u>	<u>7,980,876</u>	<u>4,631,504</u>	<u>558,618</u>	<u>14,503,005</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension related	<u>27,349</u>	<u>18,824</u>	<u>18,824</u>	<u>34,097</u>	<u>99,094</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	95,183	3,609	-	11,944	110,736
Accrued wages payable	5,969	2,424	2,424	5,211	16,028
Unearned revenue	-	-	-	1,922	1,922
Compensated absences - current portion	<u>3,590</u>	<u>16,181</u>	<u>-</u>	<u>10,785</u>	<u>30,556</u>
Total current liabilities	<u>104,742</u>	<u>22,214</u>	<u>2,424</u>	<u>29,862</u>	<u>159,242</u>
Long-Term liabilities:					
Compensated absences	<u>2,394</u>	<u>10,787</u>	<u>-</u>	<u>7,190</u>	<u>20,371</u>
Total noncurrent liabilities	<u>2,394</u>	<u>10,787</u>	<u>-</u>	<u>7,190</u>	<u>20,371</u>
Total liabilities	<u>107,136</u>	<u>33,001</u>	<u>2,424</u>	<u>37,052</u>	<u>179,613</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related	17,453	12,013	12,013	21,759	63,238
Lease related	<u>-</u>	<u>124,635</u>	<u>73,039</u>	<u>-</u>	<u>197,674</u>
Total deferred inflows	<u>17,453</u>	<u>136,648</u>	<u>85,052</u>	<u>21,759</u>	<u>260,912</u>
<b>NET POSITION</b>					
Investment in capital assets	88,562	3,007,976	1,640,770	56,627	4,793,935
Restricted	10,195	7,017	7,017	12,711	36,940
Unrestricted	<u>1,136,010</u>	<u>4,815,058</u>	<u>2,915,065</u>	<u>464,566</u>	<u>9,330,699</u>
Total net position	<u>\$ 1,234,767</u>	<u>\$ 7,830,051</u>	<u>\$ 4,562,852</u>	<u>\$ 533,904</u>	<u>\$ 14,161,574</u>

The accompanying notes are an  
integral part of these financial statements

**CITY OF SISSETON**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2022

	Enterprise Funds				
	Liquor	Water	Waste Water	Solid Waste	Total
<b>OPERATING REVENUES</b>					
Charges for goods and services	\$ 1,342,436	\$ 499,621	\$ 443,836	\$ 335,261	\$ 2,621,154
Other operating revenue	6	-	-	-	6
Total operating revenues	<u>1,342,442</u>	<u>499,621</u>	<u>443,836</u>	<u>335,261</u>	<u>2,621,160</u>
<b>OPERATING EXPENSES</b>					
Personal services	172,176	86,718	84,271	157,072	500,237
Cost and materials	958,972	111,024	4,358	125,596	1,199,950
Other current expenses	24,779	33,375	42,100	27,253	127,507
Depreciation	3,994	163,359	145,189	6,221	318,763
Total operating expenses	<u>1,159,921</u>	<u>394,476</u>	<u>275,918</u>	<u>316,142</u>	<u>2,146,457</u>
Operating income	<u>182,521</u>	<u>105,145</u>	<u>167,918</u>	<u>19,119</u>	<u>474,703</u>
<b>NONOPERATING REVENUES</b>					
Operating Grants	-	2,421	-	-	2,421
Interest income	13,180	22,065	23,275	3,805	62,325
Lease income - principal	-	10,740	14,051	-	24,791
Lease income - interest	-	5,551	3,561	-	9,112
Total nonoperating revenues	<u>13,180</u>	<u>40,777</u>	<u>40,887</u>	<u>3,805</u>	<u>98,649</u>
Income (Loss) Before Contributions, Special Items, Extraordinary Items and Transfers	<u>195,701</u>	<u>145,922</u>	<u>208,805</u>	<u>22,924</u>	<u>573,352</u>
Transfers In	-	3,000,000	-	-	3,000,000
Transfers Out	<u>(580,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(580,000)</u>
Total transfers	<u>(580,000)</u>	<u>3,000,000</u>	<u>-</u>	<u>-</u>	<u>2,420,000</u>
Change in Net Position	(384,299)	3,145,922	208,805	22,924	2,993,352
Net position - beginning	<u>1,619,066</u>	<u>4,684,129</u>	<u>4,354,047</u>	<u>510,980</u>	<u>11,168,222</u>
Net position - ending	<u>\$ 1,234,767</u>	<u>\$ 7,830,051</u>	<u>\$ 4,562,852</u>	<u>\$ 533,904</u>	<u>\$ 14,161,574</u>

The accompanying notes are an  
integral part of these financial statements

**CITY OF SISSETON**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS - PAGE 1 OF 2  
 YEAR ENDED DECEMBER 31, 2022

	Enterprise Funds				
	Liquor	Water	Waste Water	Solid Waste	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 1,344,722	\$ 493,153	\$ 439,590	\$ 325,761	\$ 2,603,226
Payments to suppliers	(986,324)	(159,274)	(47,738)	(162,354)	(1,355,690)
Payments to employees	(172,914)	(85,840)	(85,165)	(156,691)	(500,610)
Net cash provided by (used in) operating activities	<u>185,484</u>	<u>248,039</u>	<u>306,687</u>	<u>6,716</u>	<u>746,926</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Operating transfers in	-	3,000,000	-	-	3,000,000
Operating transfers out	(580,000)	-	-	-	(580,000)
Operating grants	-	2,421	-	-	2,421
Net cash provided by (used in) noncapital financing activities	<u>(580,000)</u>	<u>3,002,421</u>	<u>-</u>	<u>-</u>	<u>2,422,421</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchase of capital assets	-	(1,039,761)	-	-	(1,039,761)
Net cash provided by (used in) capital and related financing activities	<u>-</u>	<u>(1,039,761)</u>	<u>-</u>	<u>-</u>	<u>(1,039,761)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investment income	13,148	22,014	23,218	3,798	62,178
Purchase of investments	-	(1,500,000)	(500,000)	-	(2,000,000)
Lease income	-	16,291	17,612	-	33,903
Net cash provided by (used in) investing activities	<u>13,148</u>	<u>(1,461,695)</u>	<u>(459,170)</u>	<u>3,798</u>	<u>(1,903,919)</u>
Net change in cash and cash equivalents	(381,368)	749,004	(152,483)	10,514	225,667
Balances - beginning of the year	<u>745,313</u>	<u>488,091</u>	<u>1,606,918</u>	<u>440,977</u>	<u>3,281,299</u>
Balances - end of the year	<u>\$ 363,945</u>	<u>\$ 1,237,095</u>	<u>\$ 1,454,435</u>	<u>\$ 451,491</u>	<u>\$ 3,506,966</u>

The accompanying notes are an  
 integral part of these financial statements

**CITY OF SISSETON**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS - PAGE 2 OF 2  
 YEAR ENDED DECEMBER 31, 2022

	Enterprise Funds				
	Liquor	Water	Waste Water	Solid Waste	Total
<b>Reconciliation of operating income to net cash provided by operating activities:</b>					
Operating income	\$ 182,521	\$ 105,145	\$ 167,918	\$ 19,119	\$ 474,703
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	3,994	163,359	145,189	6,221	318,763
Change in operating assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	2,280	(6,468)	(4,246)	(7,992)	(16,426)
Inventories	(1,490)	(3,909)	44	-	(5,355)
Prepaid expenses	(702)	(230)	(16)	(58)	(1,006)
Pension related accounts	(1,519)	(1,044)	(1,044)	(1,893)	(5,500)
Increase (decrease) in:					
Accounts payable	(381)	(10,736)	(1,308)	(9,447)	(21,872)
Accrued expenses	503	150	150	844	1,647
Unearned revenue	-	-	-	(1,508)	(1,508)
Compensated absences	278	1,772	-	1,430	3,480
<b>Net cash provided by operating activities</b>	<b>\$ 185,484</b>	<b>\$ 248,039</b>	<b>\$ 306,687</b>	<b>\$ 6,716</b>	<b>\$ 746,926</b>

The accompanying notes are an  
 integral part of these financial statements



## **CITY OF SISSETON**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Financial Reporting Entity**

The reporting entity of the City of Sisseton, South Dakota (City), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City is financially accountable if its Governing Board/City Commission appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the City (primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City.

The discretely presented component unit is reported in a separate column in the combined financial statements to emphasize it is legally separate from the City.

The Housing and Redevelopment Commission of the City of Sisseton, South Dakota (Commission) was organized pursuant to the Municipal Housing and Redevelopment Act of South Dakota as a public housing agency formed to provide financial assistance for low-income public housing pursuant to the United States Housing Act of 1937, (42 U.S.C. 1401, et seq.). The mayor and city commissioners appoint the five members of the component unit's board. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Governing Board, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct a low-income housing unit, or to issue debt, which gives the Governing Board the ability to impose its will on the Commission.

Complete financial statements for the component unit may be obtained at the unit's administrative offices.

Sisseton Housing and Redevelopment Commission  
123 East Chestnut Street  
Sisseton, South Dakota 57262

## CITY OF SISSETON

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

##### **Basis of Presentation**

###### *Government-wide Financial Statements:*

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities and discretely presented component units. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Discretely presented component units are legally separate organizations that meet certain criteria, as described in the Financial Reporting Entity above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in the Financial Reporting Entity above.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

###### *Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets and deferred outflows, liabilities and deferred inflows, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or it meets the following criteria:

1. Total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and

## CITY OF SISSETON

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

##### **Basis of Presentation, continued**

##### *Fund Financial Statements, continued:*

2. Total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the City financial reporting entity are described below:

##### *Governmental Funds:*

General Fund - the General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.

Special Revenue Funds - special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specific purposes.

##### *Proprietary Funds:*

Enterprise Funds – Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met. Governments should apply each of these criteria in the context of the activity's principal revenue sources.

## CITY OF SISSETON

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

##### **Basis of Presentation, continued**

##### *Proprietary Funds (continued):*

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit – even if that government is not expected to make any payments – is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable “solely” from the revenues of the activity.)
- b. Laws or regulations require that the activity’s costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The City reports the following **major governmental funds**:

General Fund - See the description above. The General Fund is always considered to be a major fund.

The remaining governmental fund is not considered a major fund: Entertainment Tax Fund. This fund is reported on the fund financial statements as a “Non-Major Governmental Fund”.

The City reports the following **major enterprise funds**:

Liquor Fund - financed primarily by user charges, this fund accounts for the operation of the municipal liquor store and related activities.

Water Fund - financed primarily by user charges, this fund accounts for the construction and operation of the municipal water system and related facilities.

Waste Water Fund - financed primarily by user charges, this fund accounts for the construction and operation of the municipal waste water system and related facilities.

Solid Waste Fund - financed primarily by user charges this fund accounts for the operation of the municipal solid waste collection system and related activities.

## **CITY OF SISSETON**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

##### **Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

##### **Measurement Focus**

###### *Government-wide Financial Statements:*

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type and component unit activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

###### *Fund Financial Statements:*

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental fund types, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary funds.

##### **Basis of Accounting**

###### *Government-wide Financial Statements:*

In the government-wide financial statements, governmental, business-type, and component unit activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

###### *Fund Financial Statements:*

All governmental funds financial statements are presented on the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the City is 45 days. The revenues which are accrued at December 31, 2022 are property taxes and sales taxes.

## **CITY OF SISSETON**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

##### **Measurement Focus and Basis of Accounting, continued**

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported unearned revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All proprietary fund types are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

##### **Interfund Eliminations and Reclassifications**

###### *Government-wide Financial Statements:*

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts (if any) reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances in the Statement of Net Position. In addition, in order to minimize the grossing-up effect on general revenues within the governmental and business-type activities columns of the primary government, amounts (if any) reported as interfund transfers have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Transfers in the Statement of Activities.

##### **Property Taxes**

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following year.

The City is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the City.

## **CITY OF SISSETON**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

##### **Inventories**

Inventory in the General Fund consists of expendable supplies held for consumption. Supply inventories are recorded at cost.

Inventory acquired for resale in the proprietary funds is recorded as an asset when acquired. The consumption of inventories held for resale is charged to expense as it is consumed. Inventories held for resale are recorded at the lower of cost or market, on the first-in, first-out cost flow assumption.

##### *Government-wide Financial Statements:*

In the government-wide financial statements, inventory is recorded as an asset at the time of purchase and charged to expense as it is consumed.

##### *Fund Financial Statements:*

In the fund financial statements, purchases of supply inventory items are recorded as expenditures at the time individual inventory items are purchased. Reported inventories are equally offset by a nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

##### **Capital Assets**

##### *Government-wide Financial Statements:*

Purchased capital assets are recorded at historical cost, or estimated cost, where actual cost could not be determined. Donated capital assets are valued at their acquisition value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

The total December 31, 2022, balance of governmental activities capital assets includes approximately twenty percent for which the costs were determined by estimates of the original costs. The total December 31, 2022, propriety fund business-type capital assets include approximately five percent for which the costs were determined by estimations of the original cost. These estimated original costs were established by reviewing applicable historical costs of similar items and basing the estimations thereon.

## CITY OF SISSETON

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

##### **Capital Assets, continued**

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 2004, were not required to be capitalized by the City. Infrastructure assets acquired since January 1, 2004 are recorded at cost, and classified as "Infrastructure."

For governmental activities capital assets, construction-period interest is not capitalized, in accordance with accounting principles generally accepted in the United States. While. For capital assets used in business-type activities/proprietary fund's operations, construction period interest is not capitalized in accordance with accounting principles generally accepted in the United States.

Depreciation/amortization of all exhaustible capital assets is charged as an allocated expense against operations in the government-wide financial statements, and in the proprietary fund financial statements. Accumulated depreciation/amortization is reported on the government-wide Statement of Net Position and on each proprietary fund's Statement of Net Position. Depreciation has been provided over the estimated useful lives using the straight-line method. Amortization has been provided over the term of the underlying lease using discounted present value.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation/amortization methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization <u>Threshold</u>	Depreciation/ Amortization <u>Method</u>	Estimated <u>Useful Life</u>
Land & land rights	All	- N/A -	- N/A -
Buildings and structures	\$ 5,000	Straight-line	15-99 Years
Improvements	\$ 5,000	Straight-line	5-15 Years
Machinery, furniture, and equipment	\$ 5,000	Straight-line	3-15 Years
Infrastructure	\$ 5,000	Straight-line	5-40 Years
Leased assets	\$ 5,000	Present Value	3-50 Years

##### *Fund Financial Statements:*

In the fund financial statements, capital assets used in governmental fund operations are accounted for as expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide financial statements.



## **CITY OF SISSETON**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

##### **Long-Term Liabilities**

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. The long-term liabilities primarily consist of compensated absences and leases payable related to intangible leased assets.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide financial statements.

##### **Leases**

###### *Lessor:*

The City is a lessor for leases of farmland, hangars, land, and office space. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

## **CITY OF SISSETON**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

##### **Leases, continued**

###### **Lessee:**

The City is a lessee for leases for copier/printers. The City recognizes a lease liability and an intangible right-to-use lease asset (leased asset) in the government-wide financial statements. The Municipality recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Municipality generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Municipality is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term liabilities on the statement of net position.

##### **Deferred Inflows and Deferred Outflows of Resources**

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

## **CITY OF SISSETON**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

##### **Deferred Inflows and Deferred Outflows of Resources, continued**

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

##### **Pensions**

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, the pension expense (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS), and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. City contributions and net pension liability/(asset) are recognized on an accrual basis of accounting.

##### **Program Revenues**

Program revenues derive directly from the program itself or from parties other than the City's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services - These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program - specific operating grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program - specific capital grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

##### **Proprietary Funds Revenue and Expense Classifications**

In the proprietary fund's Statement of Revenues, Expenses and Changes in Fund Net Position, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

## **CITY OF SISSETON**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

##### **Equity Classifications**

###### *Government-wide Statements:*

Equity is classified as net position and is displayed in three components:

1. Net investment in capital assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, leases, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position - Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position - All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

###### *Fund Financial Statements:*

Governmental fund equity is classified as fund balance, and may distinguish between Nonspendable, Restricted, Committed, Assigned, and Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements.

##### **Application of Net Position**

It is the City's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

##### **Fund Balance Classification Policies and Procedures**

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balances as follows:

1. Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

## **CITY OF SISSETON**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

2. Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
3. Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
4. Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the City Council.
5. Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The City uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City does not have a formal minimum fund balance policy.

#### **Cash and Cash Equivalents**

For purposes of reporting the Statements of Cash Flows, the City includes all cash accounts not subject to withdrawal restrictions or penalties, treasury bills, and money market funds with an original maturity of three months or less as cash and cash equivalents on the accompanying balance sheets. Certificates of deposit, regardless of maturity, are not considered to be cash and cash equivalents.

#### **Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the reporting period. Actual results could differ from those estimates.

## CITY OF SISSETON

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

##### **Implementation of New Accounting Standard and Restatement**

In 2022, the City implemented the provisions GASB Statement No. 87, Leases. GASB 87 affects any government entity that enters into a lease. The main difference between previous US GAAP and GASB 87 is the recognition of an intangible lease asset and lease liability for the lessee and the recognition of a lease receivable and deferred inflow of resources for the lessor. There was no effect on the beginning net position as a result of implementation of the standard.

#### 2. DEPOSITS AND INVESTMENTS

The City follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

**Deposits** - The City's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

**Investments** - In general, SDCL 4-5-6 permits City funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or in shares of an open-end, no-load, fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

**Fair Value Measurement** – The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

## CITY OF SISSETON

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

#### 2. DEPOSITS AND INVESTMENTS, continued

As of December 31, 2022, all of the City's investments are in an internal deposit and investment pool as follows:

Investment	Rating	Maturities	Fair Value Level	Fair Value
External Investment Pools:				
SD FIT	Not Rated	-	2	\$ 10,742,583
Total				<u>\$ 10,742,583</u>

The South Dakota Public Fund Investment Trust (SD FIT) is an external investment pool created for South Dakota local government investing. It is regulated by a nine-member board with representation from municipalities, school districts and counties. The net asset value (NAV) of the SD FIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis. NAV is considered the Fair Value Level.

**Credit Risk** – State law limits eligible investments for the City, as discussed above. The City has no investment policy that would further limit its investment choices.

**Custodial Credit Risk - Deposits** - The risk that, in the event of a depository failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial risk. As of December 31, 2022, the City's deposits were fully insured or collateralized and were not exposed to custodial credit risk.

**Custodial Credit Risk – Investments** – The risk that, in the event of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that is in the possession of an outside party.

**Concentration of Credit Risk** - The City places no limit on the amount that may be invested in any one issuer.

**Interest Rate Risk** - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Assignment of Investment Income** - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The City's policy is to credit all income from investments to the fund making the investment.

**Custodial Credit Risk - Deposits – Component Unit** - As of December 31, 2022, the Component Unit's deposits were fully insured or collateralized and were not exposed to custodial credit risk

## CITY OF SISSETON

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

#### 3. RECEIVABLES

Receivables are not aggregated in these financial statements. The City expects all receivables to be collected within one year. Allowances for uncollectible accounts receivable in the governmental and enterprise funds are calculated based on historical trend data. For the year ended December 31, 2022, the allowance for doubtful accounts in the governmental and enterprise funds totaled \$ -0-.

#### 4. NOTES RECEIVABLES

In 2022 the City issued a promissory note to the Sisseton Economic Development Corporation to finance the purchase of land to be developed and sold as residential lots. The \$190,000 note carries an interest rate of 2%, calling for annual interest payments. Principal payments are required upon the closing of any sale of the residential lots. The note is secured by a real estate mortgage on the lots.

#### 5. LEASES RECEIVABLES

The City is the lessor for leases of farmland, hangars, land, and office space. Leases receivable at December 31, 2022, were as follows:

	General Fund	Water Fund	Waste Water Fund	Total
Leases Receivable				
Farmland Leases	\$ 65,033	\$ 2,238	\$ 73,039	\$ 140,310
Hangar Leases	6,448	-	-	6,448
Applicator Lease	1,657	-	-	1,657
Land Lease	9,649	-	-	9,649
Tower Lease	-	122,397	-	122,397
Office Lease	6,818	-	-	6,818
Leases Receivable - Total	<u>\$ 89,605</u>	<u>\$ 124,635</u>	<u>\$ 73,039</u>	<u>\$ 287,279</u>

Farmland leases are for land adjacent to the City's airport, water and wastewater treatment plants. The six leases call for annual payments over 3-to-6-year terms with discount rates of 4.25%.

Hangar, applicator and land leases are for platted lots on the City airport property. The six leases call for annual payments over 3-to-10-year terms with discount rates of 4.25%.

Tower lease is for an easement for installation of telecommunication equipment on the City's water tower. The lease calls for increasing monthly payments over a 24-year term at a discount rate of 4.25%.

Office lease is for space in the City Hall building. The lease calls for monthly payments over a 5-year term at a discount rate of 4.25%.



# CITY OF SISSETON

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

### 6. CHANGES IN CAPITAL ASSETS

A summary of changes in Governmental Activities' capital assets for the year ended December 31, 2022, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>				
<i>Capital assets not being depreciated/amortized:</i>				
Land	\$ 310,631	\$ -	\$ -	\$ 310,631
Construction in Progress	9,500	60,173	-	69,673
Total capital assets not being depreciated/amortized	320,131	60,173	-	380,304
<i>Capital assets being depreciated/amortized:</i>				
Infrastructure	8,353,472	347,925	(98,174)	8,603,223
Buildings and improvements	1,909,052	-	-	1,909,052
Equipment	2,529,318	107,345	-	2,636,663
Leased assets	11,682	-	-	11,682
Total capital assets being depreciated/amortized	12,803,524	455,270	(98,174)	13,160,620
Less accumulated depreciation/amortization for:				
Infrastructure	3,412,627	408,886	(98,174)	3,723,339
Buildings and improvements	776,500	45,936	-	822,436
Equipment	1,995,981	133,685	-	2,129,666
Leased assets	326	1,752	-	2,078
Total accumulated depreciation/amortization	6,185,434	590,259	(98,174)	6,677,519
Total capital assets being depreciated/amortized, net	6,618,090	(134,989)	-	6,483,101
<i>Capital assets, net - Governmental Activities</i>	<u>\$6,938,221</u>	<u>\$ (74,816)</u>	<u>\$ -</u>	<u>\$6,863,405</u>

Depreciation and amortization expense was charged to functions as follows:

<i>Governmental Activities:</i>	
General Government	\$ 25,899
Public Safety	84,689
Public Works	451,844
Culture and Recreation	<u>27,827</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 590,259</u>

Construction in progress in the governmental activities consists of \$69,673 in engineering costs associated with a drainage channel project and airport improvement project.

# CITY OF SISSETON

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

### 6. CHANGES IN CAPITAL ASSETS, continued

A summary of changes in Business-Type Activities' capital assets for the year ended December 31, 2022, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-Type Activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 234,602	\$ 30,508	\$ -	\$ 265,110
Construction in Progress	137,467	1,009,253	-	1,146,720
Total capital assets not being depreciated	<u>372,069</u>	<u>1,039,761</u>	<u>-</u>	<u>1,411,830</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	6,438,303	-	-	6,438,303
Equipment	5,501,010	-	-	5,501,010
Total capital assets being depreciated	<u>11,939,313</u>	<u>-</u>	<u>-</u>	<u>11,939,313</u>
Less accumulated depreciation for:				
Buildings and improvements	5,037,435	162,851	-	5,200,286
Equipment	3,201,010	155,912	-	3,356,922
Total accumulated depreciation	<u>8,238,445</u>	<u>318,763</u>	<u>-</u>	<u>8,557,208</u>
Total capital assets being depreciated, net	<u>3,700,868</u>	<u>(318,763)</u>	<u>-</u>	<u>3,382,105</u>
<i>Capital assets, net - Business-Type Activities</i>	<u>\$ 4,072,937</u>	<u>\$ 720,998</u>	<u>\$ -</u>	<u>\$ 4,793,935</u>

Depreciation expense was charged to functions as follows:

#### Business-Type Activities:

Liquor Fund	\$ 3,994
Water Fund	163,359
Waste Water Fund	145,189
Solid Waste Fund	<u>6,221</u>

Total Depreciation Expense - Business-Type Activities \$ 318,763

Construction in progress in the business-type activities includes an additional \$1,009,253 in costs associated with water tower refurbishing and water treatment plant engineering and construction, bringing total costs expended on these projects to \$1,146,720. Total cost of the project is expected to exceed \$4 million. Funding will come from existing cash reserves.

# CITY OF SISSETON

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

### 6. CHANGES IN CAPITAL ASSETS, continued

A summary of changes in Component Unit's capital assets for the year ended December 31, 2022, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Component Unit:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 68,884	\$ -	\$ -	\$ 68,884
Construction in Progress	207,632	73,315	-	280,947
Total capital assets not being depreciated	276,516	73,315	-	349,831
<i>Capital assets being depreciated:</i>				
Buildings and improvements	5,595,395	121,885	-	5,717,280
Equipment	188,798	-	-	188,798
Total capital assets being depreciated	5,784,193	121,885	-	5,906,078
Less accumulated depreciation for:				
Buildings and improvements	5,066,218	88,870	-	5,155,088
Equipment	151,480	7,646	-	159,126
Total accumulated depreciation	5,217,698	96,516	-	5,314,214
Total capital assets being depreciated, net	566,495	25,369	-	591,864
<i>Capital assets, net - Component Unit</i>	<u>\$ 843,011</u>	<u>\$ 98,684</u>	<u>\$ -</u>	<u>\$ 941,695</u>

### 7. LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities of the primary government is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
Compensated Absences	\$ 80,527	\$ 40,736	\$ (48,316)	\$ 72,947	\$ 43,768
Total Governmental Activities	80,527	40,736	(48,316)	72,947	43,768
<i>Business-Type Activities:</i>					
Compensated Absences	47,447	31,948	(28,468)	50,927	30,556
Total Business-Type Activities	47,447	31,948	(28,468)	50,927	30,556
Total Primary Government	<u>\$ 127,974</u>	<u>\$ 72,684</u>	<u>\$ (76,784)</u>	<u>\$ 123,874</u>	<u>\$ 74,324</u>

Long-term liabilities at December 31, 2022, are comprised of the following:

**CITY OF SISSETON**

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

7. LONG-TERM LIABILITIES, continued

Compensated Absences:

Vacation and sick leave payable to  
City Employees as of December 31,  
2022; payments will be made from  
the same department as the employees'  
normal salary is paid.

\$ 72,947

Total Governmental Activities

\$ 72,947

*Business-Type Activities*

Compensated Absences:

Vacation and sick leave payable to  
City Employees as of December 31,  
2022; payments will be made from  
the same fund as the employees' normal  
salary is paid.

\$ 50,927

Total Business-Type Activities

\$ 50,927

A summary of the changes in long-term liabilities of the component unit is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<i>Component Unit</i>					
Compensated Absences	\$ 17,360	\$ 5,230	\$ (8,046)	\$ 14,544	\$ 6,228
<i>Total Component Unit</i>	<u>\$ 17,360</u>	<u>\$ 5,230</u>	<u>\$ (8,046)</u>	<u>\$ 14,544</u>	<u>\$ 6,228</u>

*Component Unit:*

Compensated Absences:

Vacation and sick leave payable to  
Employees as of December 31, 2022;  
payments will be made from the same  
program as the employees' normal  
salary is paid.

\$ 14,544

Total Component Unit

\$ 14,544

# CITY OF SISSETON

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

### 8. LEASES PAYABLE

A summary of the changes in leases payable of the primary government is as follows:

Leases Payable	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
General Government	\$ 5,678	\$ -	\$ (876)	\$ 4,802	\$ 914
Public Safety	5,678	-	(876)	4,802	914
<i>Leases payable</i>					
<i>Governmental Activities</i>	<u>\$ 11,356</u>	<u>\$ -</u>	<u>\$ (1,752)</u>	<u>\$ 9,604</u>	<u>\$ 1,828</u>

Leases payable at December 31, 2022, are comprised of the following:

#### Copier/Printer Lease

Total monthly payments of \$183,  
4.25% discount rate, six-year term.

\$ 9,604

Total Governmental Activities

\$ 9,604

Annual requirements to amortize leases payable is as follows:

Year Ending December 31,	Leases Payable		
	Principal	Interest	Total
2023	\$ 1,828	\$ 373	\$ 2,201
2024	1,908	293	2,201
2025	1,990	211	2,201
2026	2,077	124	2,201
2027	1,801	35	1,836
Total	<u>\$ 9,604</u>	<u>\$ 1,036</u>	<u>\$ 10,640</u>

### 9. CONDUIT DEBT OBLIGATIONS

As authorized by South Dakota Codified Laws, Chapter 9-54, the City has issued Economic Development Revenue Bonds to refinance debt incurred to finance improvements to Coteau Des Prairie Hospital in order to promote economic welfare and health services of the state and City. The bonds are not general obligations nor payable by taxation, but are special, limited obligations of the issuer, payable solely out of the revenues derived from the agreement and pledged and assigned for their payment in accordance with the indenture. Neither the City, nor the state, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

# CITY OF SISSETON

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

### 9. CONDUIT DEBT OBLIGATIONS, continued

As of December 31, 2022, this series of Economic Development Revenue Bonds was outstanding with an aggregate principal amount payable of \$5,104,545.

### 10. RESTRICTED NET POSITION

The following table shows the Government Activities' net position restrictions for the year ended December 31, 2022:

Purpose	Restricted By	Amount
Major Purposes:		
SDRS Pension	State Law	\$ 132,406
Economic Development	State Law	289,425
		<u>\$ 421,831</u>

### 11. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2022, were as follows:

	Transfers To	Transfers From
<i>Governmental activities:</i>		
General Fund:		
Liquor Fund	\$ -	\$ 80,000
Water Fund	2,500,000	-
Total General Fund	<u>2,500,000</u>	<u>80,000</u>
<i>Total governmental activities</i>	<u>2,500,000</u>	<u>80,000</u>
<i>Business-type activities:</i>		
Liquor Fund		
General Fund	80,000	-
Water Fund	500,000	-
Total Liquor Fund	<u>580,000</u>	<u>-</u>
Water Fund		
General Fund	-	2,500,000
Water Fund	-	500,000
Total Water Fund	<u>-</u>	<u>3,000,000</u>
<i>Total business-type activities</i>	<u>580,000</u>	<u>3,000,000</u>
<i>Total primary government</i>	<u>\$ 3,080,000</u>	<u>\$ 3,080,000</u>

## **CITY OF SISSETON**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022**

#### **11. INTERFUND TRANSFERS, continued**

The City budgeted the transfer to the General Fund from the Liquor Fund to conduct indispensable functions of the City. The transfers from the General Fund and Liquor Fund to the Water Fund were to assist with funding of the water treatment plant construction project.

#### **12. PENSION PLAN**

##### **Plan Information**

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer hybrid defined benefit plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provide retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS , P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

##### **Benefits Provided**

SDRS has four classes of members: Class A general members, Class B public safety and judicial members, Class C Cement Plant Retirement Fund members, and Class D Department of Labor and Regulation members.

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

## CITY OF SISSETON

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

#### 12. PENSION PLAN, continued

##### **Benefits Provided, continued**

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

Legislation enacted in 2017 established the current COLA process. At each valuation date:

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

Legislation enacted in 2021 reduced the minimum COLA from 0.5 percent to 0.0 percent.

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.



## CITY OF SISSETON

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

#### 12. PENSION PLAN, continued

##### **Contributions**

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2022, 2021 and 2020 was \$59,751, \$57,811 and \$60,170 respectively, equal to the required contributions each year.

##### **Pension Liability (Assets), Pension Revenue and Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:**

At June 30, 2022, SDRS is 100.1% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of SDRS as of the measurement period ending June 30, 2022, and reported by the City as of December 31, 2022 are as follows:

Proportionate share of pension liability	\$ 5,807,860
Less proportionate share of net pension restricted for pension benefits	<u>5,811,748</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (3,888)</u></u>

At December 31, 2022, the City reported a liability/(asset) of \$(3,888) for its proportionate share of the net pension liability/(asset). The net pension liability/(asset) was measured as of June 30, 2022, and the total pension liability/(asset) used to calculate the net pension liability/(asset) was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the City's proportion was 0.04114200%, which is an increase (decrease) of -0.0031450% from its proportion measured as of June 30, 2021.

For the year ended December 31, 2022, the City recognized a (reduction of pension expense) of \$(19,722). At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

# CITY OF SISSETON

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

### 12. PENSION PLAN, continued

#### **Pension Liability (Assets), Pension Revenue and Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions, continued:**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 74,014	\$ 252
Changes in assumptions	247,121	216,568
Net difference between projected and actual earnings on pension plan investments	-	9,318
Changes in proportion and difference between the City's contributions and proportionate share of contributions	4,894	522
City contributions subsequent to the measurement date	29,149	-
Total	<u>\$ 355,178</u>	<u>\$ 226,660</u>

\$29,149 reported as deferred outflow of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/(asset) in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended December 31	
2023	\$ 26,544
2024	55,437
2025	(60,187)
2026	77,575
Total	<u>\$ 99,369</u>

## CITY OF SISSETON

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

#### 12. PENSION PLAN, continued

##### **Actuarial Assumptions**

The total pension liability/(asset) in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Investment Rate of Return	6.50 % net of pension plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%
Future COLAs	2.10%

##### **Mortality Rates:**

- All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020
- Active and Terminated Vested Members:
  - Teachers, Certified Regents, and Judicial: PubT-2010
  - Other Class A Members: PubG-2010
  - Public Safety Members: PubS-2010
- Retired Members:
  - Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65
  - Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above
  - Public Safety Retirees: PubS-2010, 102% of rates at all ages
- Beneficiaries:
  - PubG-2010 contingent survivor mortality table
- Disabled Members:
  - Public Safety: PubS-2010 disabled member mortality table
  - Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2021.

## CITY OF SISSETON

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

#### 12. PENSION PLAN, continued

##### **Actuarial Assumptions, continued**

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	3.7%
Fixed Income	30.0%	1.1%
Real Estate	10.0%	2.6%
Cash	<u>2.0%</u>	0.4%
Total	<u>100%</u>	<u>2.7%</u>

##### **Discount Rate**

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

## CITY OF SISSETON

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

#### 12. PENSION PLAN, continued

##### **Sensitivity of Liability (Asset) to Changes in the Discount Rate**

The following presents the City's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net pension liability (asset)	\$ 807,344	\$ (3,888)	\$ (666,879)

##### **Pension Plan Fiduciary Net Position**

Detailed information about the plan's fiduciary net position is available in the separately issued SDRS financial report.

#### 13. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. During the period ended December 31, 2022, the City managed its risks as follows:

##### **Employee Health Insurance**

The City is a member of the South Dakota Municipal League Health Pool of South Dakota. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The City pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage includes a \$2,000,000 lifetime maximum payment per person. The City does not carry additional health insurance coverage to pay claims in excess of this upper limit. Settled claims have not exceeded the liability coverage during the past three years.

##### **Property Insurance**

The City purchases insurance coverage for its buildings and contents from a commercial insurance carrier. The deductible for this coverage varies from \$250 to \$1,000. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

## **CITY OF SISSETON**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022**

#### **13. RISK MANAGEMENT, continued**

##### **Liability Insurance**

The City joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The City's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays a Members' Annual Operating Contribution, to provide liability coverage detailed below, under an occurrence-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The City pays an annual premium to the pool to provide coverage for general liability, property coverage, auto liability and damage, and errors and omissions of public officials.

Effective October 5, 2021, the SDPAA adopted a new policy on member departures. Departing members will no longer be eligible for any partial refund of the calculated portion of their contributions which was previously allowed. The prior policy provided the departing member with such a partial refund because the departing member took sole responsibility for all claims and claims expenses whether reported or unreported at the time of their departure from the SDPAA. With such partial refund being no longer available, the SDPAA will now assume responsibility for all reported claims of a departing member pursuant to the revised IGC.

The City carries a \$500 deductible for the official liability coverage and \$2,000 deductible for the law enforcement liability coverage.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

## **CITY OF SISSETON**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022**

#### **13. RISK MANAGEMENT, continued**

##### **Worker's Compensation**

The City joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The City pays an annual premium, to provide worker's compensation coverage to its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date to the Fund Members. Coverage limits are set by State Statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

##### **Unemployment Benefits**

The City provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

## REQUIRED SUPPLEMENTARY INFORMATION



**CITY OF SISSETON**

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND - PAGE 1 OF 2  
YEAR ENDED DECEMBER 31, 2022

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Taxes:				
General property taxes	\$ 775,000	\$ 775,000	\$ 763,619	\$ (11,381)
General sales and use taxes	1,100,000	1,100,000	1,334,016	234,016
Amusement taxes	325	325	-	(325)
Penalties and interest on delinquent taxes	-	-	5,328	5,328
Licenses and permits	10,700	10,700	18,457	7,757
Intergovernmental revenue:				
Federal grants	-	118,760	559,257	440,497
State grants	-	6,575	6,577	2
State shared revenues	124,500	124,500	140,498	15,998
State payments in lieu of taxes	20,000	20,000	25,930	5,930
County shared revenues	2,200	2,200	2,246	46
Charges for goods and services:				
Public safety	32,700	32,700	36,739	4,039
Highway and streets	500	500	300	(200)
Culture and recreation	10,500	10,500	15,449	4,949
Airport	15,000	15,000	27,705	12,705
Fines and forfeits:				
Court fines and costs	400	400	51	(349)
Animal control fines	300	300	390	90
Miscellaneous revenue:				
Interest earned	1,000	1,000	79,788	78,788
Rentals	30,000	30,000	38,638	8,638
Special Assessments	-	-	212	212
Contributions and donations from private sources	20,000	29,750	28,565	(1,185)
Other	48,000	48,000	22,247	(25,753)
Total revenues	<u>2,191,125</u>	<u>2,326,210</u>	<u>3,106,012</u>	<u>779,802</u>
<b>EXPENDITURES</b>				
General government:				
Legislative	51,750	51,750	46,467	5,283
Contingency	100,000	100,000	-	35,000
(Amount transferred)		(65,000)		
Executive	12,500	12,500	10,698	1,802
Elections	2,100	2,100	16	2,084
Financial administration	161,050	161,050	148,207	12,843
Other	38,800	38,800	34,781	4,019
Public safety:				
Police	687,350	687,350	588,676	98,674
Fire	65,800	65,800	65,668	132
Public works:				
Highways and streets	818,400	878,400	780,396	98,004
Sanitation	9,000	9,000	5,416	3,584
Airport	40,000	161,430	142,009	19,421
Health and welfare:				
Health	15,500	19,405	16,509	2,896
Culture and recreation:				
Recreation	65,000	70,750	68,169	2,581
Parks	25,450	25,450	16,671	8,779
Libraries	166,625	175,625	172,495	3,130

See Independent Auditor's Report

**CITY OF SISSETON**

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND - PAGE 2 OF 2  
YEAR ENDED DECEMBER 31, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	
<b>EXPENDITURES, continued</b>				
Conservation and development:				
Economic development and assistance	<u>56,600</u>	<u>246,600</u>	<u>51,600</u>	<u>195,000</u>
Total expenditures	<u>2,315,925</u>	<u>2,641,010</u>	<u>2,147,778</u>	<u>493,232</u>
(Deficiency) excess of revenues over expenditures	<u>(124,800)</u>	<u>(314,800)</u>	<u>958,234</u>	<u>1,273,034</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers In	80,000	80,000	80,000	-
Sale of capital assets	-	-	4,836	4,836
Compensation for loss	-	-	23,039	23,039
Transfers Out	<u>(2,560,000)</u>	<u>(2,560,000)</u>	<u>(2,500,000)</u>	<u>60,000</u>
Total other financing sources	<u>(2,480,000)</u>	<u>(2,480,000)</u>	<u>(2,392,125)</u>	<u>87,875</u>
Net change in fund balances	<u>(2,604,800)</u>	<u>(2,794,800)</u>	<u>(1,433,891)</u>	<u>1,360,909</u>
<b>CHANGE IN NONSPENDABLE</b>	-	-	(5,433)	(5,433)
Fund balances - beginning	<u>9,019,123</u>	<u>9,019,123</u>	<u>9,019,123</u>	<u>-</u>
Fund balances - ending	<u>\$ 6,414,323</u>	<u>\$ 6,224,323</u>	<u>\$ 7,579,799</u>	<u>\$ 1,355,476</u>

See Independent Auditor's Report

## **CITY OF SISSETON**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE DECEMBER 31, 2022**

#### **Budgets and Budgetary Accounting**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At the first regular board meeting in September of each year or within ten days thereafter, the governing board introduces the annual appropriation ordinance for the ensuing fiscal year
2. After adoption by the governing board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the governing board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year-end unless encumbered by resolution of the governing board.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. The Budgetary Comparison Schedule has been prepared on the budgetary basis of accounting. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new fire truck would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a fire truck would be reported as an expenditure of the Public Safety/Fire Department function of government, along with all other current Fire Department related expenditures.

**CITY OF SISSETON**

**SCHEDULE OF THE PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY (ASSET)**

South Dakota Retirement System

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
City's proportion of the net pension liability (asset)	0.0447509%	0.0434752%	0.0433183%	0.0418472%	0.0426220%
City's proportionate share of net pension liability (asset)	\$ (322,412)	\$ (184,391)	\$ 146,325	\$ (3,798)	\$ (994)
City's covered-employee payroll	\$ 700,141	\$ 714,506	\$ 739,773	\$ 762,265	\$ 795,547
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-46.05%	-25.81%	19.78%	-0.50%	-0.12%
Plan fiduciary net position as a percentage of the total pension liability	107.30%	104.10%	96.89%	100.10%	100.02%
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	
City's proportion of the net pension liability (asset)	0.0436607%	0.0434100%	0.0442870%	0.0411420%	
City's proportionate share of net pension liability (asset)	\$ (4,627)	\$ (1,885)	\$ (339,163)	\$ (3,888)	
City's covered-employee payroll	\$ 826,805	\$ 851,435	\$ 897,231	\$ 888,757	
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-0.56%	-0.22%	-37.80%	-0.44%	
Plan fiduciary net position as a percentage of the total pension liability	100.09%	100.04%	105.52%	100.10%	

Note: The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is June 30.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10-year trend is compiled, governments should present information for those years which information is available.

See Independent Auditor's Report

**CITY OF SISSETON**

SCHEDULE OF CONTRIBUTIONS

**South Dakota Retirement System**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 46,019	\$ 47,609	\$ 50,305	\$ 51,823	\$ 54,382
Contributions in relation to the contractually required contribution	<u>46,019</u>	<u>\$ 47,609</u>	<u>\$ 50,305</u>	<u>\$ 51,823</u>	<u>\$ 54,382</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 689,531	\$ 713,645	\$ 751,485	\$ 776,985	\$ 807,811
Contributions as a percentage of covered-employee payroll	6.67%	6.67%	6.69%	6.67%	6.73%
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	
Contractually required contribution	\$ 56,304	\$ 60,170	\$ 57,811	\$ 59,751	
Contributions in relation to the contractually required contribution	<u>56,304</u>	<u>60,170</u>	<u>57,811</u>	<u>59,751</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's covered-employee payroll	\$ 839,128	\$ 893,101	\$ 864,400	\$ 905,182	
Contributions as a percentage of covered-employee payroll	6.71%	6.74%	6.69%	6.60%	

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10-year trend is compiled, governments should present information for those years which information is available.

See Independent Auditor's Report

## **CITY OF SISSETON**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION PENSION SCHEDULES DECEMBER 31, 2022**

#### **Changes from Prior Valuation**

The June 30, 2022 Actuarial Valuation reflects numerous changes to the actuarial assumptions as a result of an experience analysis completed since the June 30, 2021 Actuarial Valuation. In addition, two changes in actuarial methods have been implemented since the prior valuation.

The details of the changes since the last valuation are as follows:

#### **Benefit Provision Changes**

During the 2022 Legislative Session no significant SDRS benefit changes were made and gaming enforcement agents became Class B Public Safety Members.

#### **Actuarial Assumption Changes**

As a result of an experience analysis covering the period from July 1, 2016 to June 30, 2021 and presented to the SDRS Board of Trustees in April and June, 2022, significant changes to the actuarial assumptions were recommended by the SDRS Senior Actuary and adopted by the Board of Trustees first effective for this June 30, 2022 actuarial valuation.

The changes to economic assumptions included increasing the price inflation to 2.50% and increasing the wage inflation to 3.15%. The current assumed investment return assumption of 6.50% was retained, lowering the assumed real investment return to 4.00%. The baseline COLA assumption of 2.25% was also retained. Salary increase assumptions were modified to reflect the increase in assumed wage inflation and recent experience. The assumed interest on accumulated contributions was decreased to 2.25%.

The demographic assumptions were also reviewed and revised. The mortality assumption was changed to the Pub-2010 amount-weighted tables using separate tables for teachers, general, and public safety retirees, with assumptions for retirees adjusted based on credible experience. The mortality assumption for active and terminated vested members was changed to the unadjusted amount-weighted Pub-2010 tables, again by member classification and the assumption for beneficiaries was changed to the amount-weighted Pub-2010 general contingent survivor table. Adjustments based on experience were also made to the assumptions regarding retirement, termination, disability, age of spouses for married Foundation members, percentage of terminated vested members electing a refund, and benefit commencement age for terminated vested Public Safety members with 15 or more years of service.

## **CITY OF SISSETON**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION PENSION SCHEDULES, CONTINUED DECEMBER 31, 2022**

#### **Actuarial Assumption Changes, continued**

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%.

As of June 30, 2021, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was greater than 100% and the full 0% to 3.5% COLA range was payable. For the June 30, 2021 Actuarial Valuation, future COLAs were assumed to equal the baseline COLA assumption of 2.25%.

As of June 30, 2022, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is less than 100% and the July 2023 SDRS COLA is limited to a restricted maximum of 2.10%. The July 2023 SDRS COLA will equal inflation, between 0% and 2.10%. For this June 30, 2022 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 2.10%.

Actuarial assumptions are reviewed for reasonability annually and reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2027 Actuarial Valuation and any recommended 7 changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027 Actuarial Valuation.

#### **Actuarial Method Changes**

Actuarial method changes with minor impact were implemented for this valuation after recommendation by Cavanaugh Macdonald Consulting as part of their reviews of prior valuations. As a result, liabilities and normal costs for refund benefits and the Generational Variable Retirement Account are now calculated using the entry age normal cost method with normal costs based on the expected value of these accounts rather than the actual balance.



INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and  
Members of the City Commission  
City of Sisseton, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sisseton, South Dakota (hereinafter referred to as the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 9, 2024. Our report includes a reference to other auditors who audited the financial statements of the Sisseton Housing and Redevelopment Commission, a discretely presented component unit, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings and responses as Finding 2022-001 that we consider to be a significant deficiency.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **City's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The City's response was not subject to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, as required by South Dakota Codified Law 4-11-11, this report is matter of public record and its distribution is not limited.

*Wohlschlag Ritzman + Co., LLC*

Yankton, South Dakota  
January 9, 2024

## **CITY OF SISSETON**

### **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2022**

#### **PRIOR AUDIT FINDINGS**

##### **2021-001   Segregation of Duties – Significant Deficiency**

###### Condition

Two members of the office staff process all cash receipts and disbursement transactions, including receiving money, issuing receipts, recording and posting receipts in the accounting records, preparing bank deposits, reconciling bank statements, and preparing financial statements.

###### Recommendation

Management and the City Commission should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. The most effective controls lie in the Management's knowledge of the matters relating to the City's operations, establishing a procedure of rotation of duties and strict enforcement of a vacation policy requiring all personnel to be absent from the City for specified times.

###### Status

This is a continuing condition.

## **CITY OF SISSETON**

### **SCHEDULE OF AUDIT FINDINGS AND RESPONSES DECEMBER 31, 2022**

#### **AUDIT FINDINGS**

##### **2022-001 Revenue and Receivables – Segregation of Duties Repeat of Finding 2021-001 Significant Deficiency**

###### Condition

Two members of the office staff process all cash receipts and disbursement transactions, including receiving money, issuing receipts, recording and posting receipts in the accounting records, preparing bank deposits, reconciling bank statements, and preparing financial statements.

###### Criteria

Proper segregation of duties results in increased reliability of reported financial data and decreased potential for the loss of public assets.

###### Cause

Because of the nature and size of the entity, resources are limited to provide adequate levels of control.

###### Effect

At times there is an inadequate segregation of duties for these accounting functions. Although the staff attempts to divide the various tasks so that one person does not control a transaction from beginning to end, that is not always possible.

###### Recommendation

Management and the City Commission should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. The most effective controls lie in the Management's knowledge of the matters relating to the City's operations, establishing a procedure of rotation of duties and strict enforcement of a vacation policy requiring all personnel to be absent from the City for specified times.

###### City's Response to Finding

The City has determined it is not cost beneficial to employ additional personnel to be able to adequately segregate duties for accounting functions. The City is aware of the potential risk and is attempting to provide compensating controls wherever and whenever possible and practical.